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SUBJECT: CABINET OF MINISTERS REPORTS TO PARLIAMENT ON 2005 RESULTS

SENSITIVE BUT UNCLASSIFIED - HANDLE ACCORDINGLY

¶11. (SBU) SUMMARY: On March 14 the Prime Minister presented the Cabinet of Minister's report on its 2005 activities, similar to a "State of the Union" address. As expected, the GOAJ comments and data were very positive: GDP and average salary increased, government reforms continued, state credits continued to be successfully channeled to the development of entrepreneurship, privatization yielded positive results and more schools were built, thereby developing the education sector. The report lacked substance beyond economic data and offered little in the way of new policy objectives or political analysis. Hinting at a more activist approach, new Speaker of Parliament Osadov called upon the GOAJ to change the report's format and be more responsive to issues raised by MPs. While some opposition MPs criticized the GOAJ for leaving out key sectors in the report, the general public seemed to take little notice of the Cabinet's accounting. END SUMMARY.

2005: ANOTHER SUCCESSFUL YEAR

¶12. (U) The Prime Minister reported that GDP increased in 2005 by more than 26 percent (USD 12.6 billion) due to successes in the oil sector and agricultural production. The GOAJ also reported that about 169,000 new jobs were created, out of which almost 80,000 were permanent. Poverty decreased from 40 percent to 30 percent (NOTE: The decrease in poverty levels may be tied to recent adjustments in poverty calculation methodology.) Aggregate currency reserves of the State Oil Fund and the National Bank increased 30 percent, equaling USD 2.4 billion. External debt levels fell to 12 percent of GDP, from 22 percent of GDP in 2004. The Prime Minister said that these figures all indicated the successful policies of the GOAJ during the year and that the current path of reform should continue in order to keep Azerbaijan on its positive trajectory. The majority of the report focused on rote economic statistics with little new policy plans or analysis of the political arena. Notably absent were reports from the security ministries, including the Ministry of Defense, Ministry of National Security, Ministry of Justice, and Ministry of Internal Affairs.

LOYAL MPS APPLAUD THE REPORT

¶13. (SBU) Ruling Yeni Azerbaijan Party (YAP) and pro-government independent MPs used their allocated time to commend GOAJ activities and express their satisfaction with the report itself. Only a few MPs, including Siyavush Novruzov (a leading YAP MP), pointed out minor problems such as a shortage of information other than purely economic

data. Despite the positive comments from pro-governmental MPs, Speaker of Parliament Ogtay Asadov said he was disappointed that the report did not include solutions for the existing problems; he also noted that it is not clear how effectively the Cabinet addresses issues raised by Parliament. In a heartening show of independence, Asadov called for a change in format of the report and asked that a separate chapter be included devoted to the issues MPs raise during hearings.

OPPOSITION CONSIDERS REPORT INCOMPLETE

¶14. (SBU) The few opposition MPs in Parliament were the only ones who gave extensive, concrete critiques of the report. Some complained that problems faced last year with energy supplies, the agricultural sector, and price increases were not covered by the report. Others, including Jamil Hasanli (former PFP member, elected from the Azadliq Bloc) also criticized the Cabinet of Ministers for not including reports from law-enforcement ministries, therefore preventing a public debate of their activities. The Speaker defended this approach, saying that the country is still in a state of war, so an open discussion would be inappropriate. However, the Speaker did offer to entertain the idea of a closed-door hearing with those ministries.

¶15. (SBU) Igbal Agazadeh from the opposition Umid (Hope) Party criticized last year's activities of the Cabinet of Ministers. He said the GOAJ did nothing to solve problems in the energy, education, agriculture, or other sectors of the economy. Agazadeh specifically said that the agricultural sector has great potential but is still not utilized to its full extent. Agazadeh was also concerned with the recent increase in prices and inaction of GOAJ to prevent

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inflation. In general, he called the report a document on "success stories" that does not address the problems facing Azerbaijan.

¶16. (SBU) In an interesting note, Gudrat Hasanguliyev (a pro-governmental small party MP) expressed concern about the GOAJ's level of readiness to deal with the potential inflow of refugees if Iran were attacked by the United States. Hasanguliyev called on the Foreign Ministry to report on its activities to address this problem.

REPORT ON ANOTHER "SUCCESSFUL" YEAR

¶17. (SBU) The report was approved with only 10 votes against from opposition MPs. While the report created a day's worth of debate in Parliament, the general public took little interest. Some speculate the lack of interest is because the reports exaggerate facts and offer few solutions to the problems facing the country. As a result, the GOAJ's annual report received poor coverage in the media and few were heard discussing it on the streets of Baku.

HARNISH